

MAIN STREET PROJECT

FINANCIAL STATEMENTS
TOGETHER WITH
INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2015

MAIN STREET PROJECT

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Main Street Project
Northfield, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of Main Street Project (a nonprofit Organization), which comprise the statement of financial position as of December 31, 2015 and 2014, and the related statement of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Main Street Project as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

St. Paul, Minnesota
May 18, 2016

Olsen Thielen & Co., LTD

MAIN STREET PROJECT

STATEMENT OF FINANCIAL POSITION YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
CURRENT ASSETS:		
Cash	\$ 140,891	\$ 73,301
Contributions Receivable	175,000	706,248
Accounts Receivable	21,745	6,206
Prepaid Expenses	2,417	951
Inventory	36,461	40,277
Total Current Assets	<u>376,514</u>	<u>826,983</u>
PROPERTY AND EQUIPMENT:		
Furniture and Equipment	43,303	30,684
Buildings	155,525	145,914
Vehicles	13,151	-
Computer Software	1,089	-
Total	<u>213,068</u>	<u>176,598</u>
Less Accumulated Depreciation	<u>118,044</u>	<u>79,044</u>
Net Property and Equipment	<u>95,024</u>	<u>97,554</u>
 TOTAL ASSETS	 <u>\$ 471,538</u>	 <u>\$ 924,537</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Line of Credit	\$ 100,000	\$ -
Current Portion of Long-Term Debt	2,135	191,202
Accounts Payable	29,999	55,390
Other Accrued Liabilities	21,956	7,018
Total Current Liabilities	<u>154,090</u>	<u>253,610</u>
LONG-TERM DEBT	<u>-</u>	<u>2,129</u>
NET ASSETS:		
Unrestricted	142,448	(38,642)
Temporarily Restricted	175,000	707,440
Total Net Assets	<u>317,448</u>	<u>668,798</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 471,538</u>	 <u>\$ 924,537</u>

The accompanying notes are an integral part of the financial statements.

MAIN STREET PROJECT
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUES:			
Contributions	\$ 93,242	\$ 151,800	\$ 245,042
Program Services	205,403	-	205,403
Miscellaneous	6,736	-	6,736
Net Assets Released from Restrictions	<u>684,240</u>	<u>(684,240)</u>	<u>-</u>
Total Support and Revenues	<u>989,621</u>	<u>(532,440)</u>	<u>457,181</u>
EXPENSES:			
Program Services	660,526	-	660,526
Management and General	95,038	-	95,038
Fundraising	<u>52,967</u>	<u>-</u>	<u>52,967</u>
Total Expenses	<u>808,531</u>	<u>-</u>	<u>808,531</u>
CHANGE IN NET ASSETS	181,090	(532,440)	(351,350)
NET ASSETS, Beginning of Year	<u>(38,642)</u>	<u>707,440</u>	<u>668,798</u>
NET ASSETS, End of Year	<u>\$ 142,448</u>	<u>\$ 175,000</u>	<u>\$ 317,448</u>

The accompanying notes are an integral part of the financial statements.

MAIN STREET PROJECT
STATEMENT OF ACTIVITIES (Continued)
YEAR ENDED DECEMBER 31, 2014

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUES:			
Contributions	\$ 70,413	\$ 807,400	\$ 877,813
Program Services	84,089	-	84,089
Contributed Services	55,646		55,646
Miscellaneous	3,544	-	3,544
Net Assets Released from Restrictions	574,960	(574,960)	-
Total Support and Revenues	<u>788,652</u>	<u>232,440</u>	<u>1,021,092</u>
EXPENSES:			
Program Services	786,091	-	786,091
Management and General	96,360	-	96,360
Fundraising	42,283	-	42,283
Total Expenses	<u>924,734</u>	<u>-</u>	<u>924,734</u>
CHANGE IN NET ASSETS	(136,082)	232,440	96,358
NET ASSETS, Beginning of Year	<u>97,440</u>	<u>475,000</u>	<u>572,440</u>
NET ASSETS, End of Year	<u>\$ (38,642)</u>	<u>\$ 707,440</u>	<u>\$ 668,798</u>

The accompanying notes are an integral part of the financial statements.

MAIN STREET PROJECT
STATEMENT OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ (351,350)	\$ 96,358
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By (Used In) Operating Activities:		
Depreciation	39,000	30,413
Loss on Impairment of Inventory	43,081	-
Changes in Assets and Liabilities:		
Contributions Receivable	531,248	(231,248)
Accounts Receivable	(15,539)	7,419
Prepaid Expenses	(1,466)	1,214
Inventory	(39,265)	(25,110)
Accounts Payable	(25,391)	(9,016)
Other Accrued Liabilities	14,938	(32,185)
Net Cash Provided By (Used In) Operating Activities	<u>195,256</u>	<u>(162,155)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of Property and Equipment	(36,470)	(48,974)
Net Cash Used In Investing Activities	<u>(36,470)</u>	<u>(48,974)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Advances on Line of Credit, Net	100,000	-
Proceeds from Issuance of Long-Term Debt	-	200,000
Principal Payments of Long-Term Debt	(191,196)	(115,260)
Net Cash Provided By (Used In) Financing Activities	<u>(91,196)</u>	<u>84,740</u>
NET CHANGE IN CASH	67,590	(126,389)
CASH at Beginning of Year	<u>73,301</u>	<u>199,690</u>
CASH at End of Year	<u>\$ 140,891</u>	<u>\$ 73,301</u>

The accompanying notes are an integral part of the financial statements.

MAIN STREET PROJECT
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2015

	<u>Program Services</u>	<u>Manage- ment and General</u>	<u>Fund- raising</u>	<u>Total</u>
Salaries and Wages	\$ 214,045	\$ 23,241	\$ 15,120	\$ 252,406
Employee Benefits and Taxes	34,338	3,728	2,426	40,492
Total Personnel Costs	<u>248,383</u>	<u>26,969</u>	<u>17,546</u>	<u>292,898</u>
Contract Services and Professional Services	122,771	61,780	31,424	215,975
Loss on Impairment of Inventory	43,081	-	-	43,081
Flock Costs	42,169	-	-	42,169
Farm Utilities	39,576	207	135	39,918
Depreciation	38,855	145	-	39,000
Travel	34,673	1,149	747	36,569
Rent	17,361	1,885	1,226	20,472
Farm Equipment Rental	14,475	-	-	14,475
Evaluation	12,134	-	-	12,134
Service charges	10,150	1,102	717	11,969
Insurance	6,915	751	489	8,155
Poultry Supplies	6,032	-	-	6,032
Telephone	5,098	554	360	6,012
Miscellaneous	5,029	-	-	5,029
Trainee Stipends	3,684	-	-	3,684
Farm Labor	3,538	-	-	3,538
Office Supplies	2,804	304	198	3,306
Dues and Subscriptions	1,471	24	16	1,511
Computer Services	917	100	65	1,082
Printing and Postage	623	68	44	735
Processing/Sales	310	-	-	310
Advertising	477	-	-	477
Total Expenses	<u>\$ 660,526</u>	<u>\$ 95,038</u>	<u>\$ 52,967</u>	<u>\$ 808,531</u>

The accompanying notes are an integral part of the financial statements.

MAIN STREET PROJECT

STATEMENT OF FUNCTIONAL EXPENSES (Continued) YEAR ENDED DECEMBER 31, 2014

	Program Services	Manage- ment and General	Fund- raising	Total
Salaries and Wages	\$ 181,922	\$ 28,434	\$ 13,243	\$ 223,599
Employee Benefits and Taxes	<u>28,044</u>	<u>3,036</u>	<u>1,970</u>	<u>33,050</u>
Total Personnel Costs	<u>209,966</u>	<u>31,470</u>	<u>15,213</u>	<u>256,649</u>
Contract Services and Professional Services	390,251	32,982	25,866	449,099
Travel	30,235	1,201	902	32,338
Depreciation	23,336	7,077	-	30,413
Evaluation	17,442	456	15	17,913
Rent	14,429	2,464	5	16,898
Service Charges	878	15,531	-	16,409
Farm Equipment Rental	16,270	-	-	16,270
Poultry Supplies	15,263	16	-	15,279
Flock Costs	14,370	-	-	14,370
Farm Utilities	13,716	78	-	13,794
Farm Labor	10,020	-	-	10,020
Processing/Sales	9,717	-	-	9,717
Insurance	6,651	479	-	7,130
Telephone	5,486	1,069	5	6,560
Office Supplies	3,514	1,512	7	5,033
Miscellaneous	786	1,610	-	2,396
Dues and Subscriptions	1,483	50	270	1,803
Trainee Stipends	1,372	299	-	1,671
Printing and Postage	<u>906</u>	<u>66</u>	<u>-</u>	<u>972</u>
Total Expenses	<u>\$ 786,091</u>	<u>\$ 96,360</u>	<u>\$ 42,283</u>	<u>\$ 924,734</u>

MAIN STREET PROJECT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Main Street Project (the Organization), a nonprofit organization, was founded in March 2005. Its mission is to increase resources, share knowledge, and build power in order to transform systems that perpetuate inequities. The objectives of the main programs are listed below:

Sustainable Food and Agriculture: To build a resilient food and agriculture system that is socially, economically, and ecologically sustainable: (1) creating economic opportunities for low-income immigrants and rural communities, (2) producing safe, affordable, and naturally nutritious foods, free from antibiotics and chemicals, and (3) using energy and natural resources more efficiently to lower production cost, reduce environmental impacts and adapt to climate change realities. Natural, free-range poultry is at the heart of this diverse but integrated system, which includes perennial crops, grains, fish and vegetables, and other value-added products.

Basis of Presentation

The Organization's financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Revenues, expenses, gains and losses, and net assets are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets of the Organization and related changes are classified and reported as follows:

Unrestricted Net Assets - Resources over which the Board of Directors has discretionary control.

Temporarily Restricted - Resources received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted - Net assets subject to donor imposed restrictions that they be maintained permanently by the Organization. The donors of these resources permit the Organization to use all or part of the income earned, including capital appreciation, for unrestricted or temporarily restricted purposes.

The Organization had no permanently restricted net assets at December 31, 2015 and 2014.

Accounting Estimates

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

In preparing these financial statements, the Organization has evaluated for recognition or disclosure the events or transactions that occurred through May 18, 2016, the date the financial statements were available to be issued.

MAIN STREET PROJECT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Receivables

Receivables are reported at the amount the Organization expects to collect on balances outstanding at year end. The Organization monitors outstanding balances and periodically writes off balances that are determined to be uncollectible. The Organization has concluded that losses on balances outstanding at year end will be immaterial.

Contributions Receivable

Contributions receivable consists if unconditional promises to give and are recognized as revenue in the period made. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions to be received after one year are discounted using present value of future cash flows. Amortization of discounts is recorded as additional contribution revenue. An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history.

Inventories

Inventories consist of goods held for resale such as chickens and are recorded at the lower of cost or market. Cost is determined using the average cost method.

Property and Depreciation

Property and equipment are carried at cost or, if donated, at the approximated fair value at the date of donation. Additions, improvements or major renewals are capitalized. If items of property are sold, retired or otherwise disposed of, they are removed from the asset and accumulated depreciation accounts and any gains or losses thereon are reflected in the statement of activities.

Depreciation is computed using the straight-line method at rates based on the estimated service lives of the various assets as follows:

Furniture and Equipment	3-5 Years
Buildings	5 Years
Vehicles	5 Years
Computer Software	5 Years

Revenue Recognition

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

MAIN STREET PROJECT
NOTES TO FINANCIAL STATEMENTS

**NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Contributed Services

Donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by the donor, are recorded at their fair value in the period provided.

Functional Allocation of Expenses

The Organization allocates its expenses on a functional basis among its various program and support services. Expenses that can be identified with a specific program are allocated directly according to their natural expenditure classification. General and administrative that are common to several functions are allocated based on the proportion of each program's direct and personnel expenses to the total program direct and personnel expenses.

Income Taxes

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code, therefore, the statements do not include a provision for income taxes.

The Organization reviews income tax positions taken or expected to be taken in income tax returns to determine if there are any income tax uncertainties. This includes positions that the entity is exempt from income taxes or not subject to income taxes on unrelated business income. The Organization recognizes tax benefits from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by taxing authorities, based on the technical merits of the positions. The Organization has identified no income tax uncertainties. The Organization files information returns as a tax-exempt organization. Should that status be challenged in the future, all years since inception could be subject to review by the IRS.

Advertising

Advertising costs are expensed as incurred. Total advertising expenses were \$478 and \$12,572 for 2015 and 2014.

Credit Risk

Financial instruments which potentially subject the Organization to concentrations of credit risk consists principally of cash investments. The Organization placed its cash investments with high credit quality financial institutions in accounts, which at times may exceed federally insured limits. As of December 31, 2015, the Organization had no significant concentrations of credit risk.

Reclassifications

Certain amount in the 2014 financial statements have been reclassified to conform with the 2015 presentation. These reclassifications had no effect on net income or net assets for either period.

MAIN STREET PROJECT
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - LINE OF CREDIT

The Organization has a line of credit with Nonprofits Assistance Fund which enables it to borrow up to \$150,000 at a rate of 7%. The interest is payable monthly and principal was due at the maturity date of March 31, 2016. The loan is secured by substantially all the Organizations assets. The balance on this loan at December 31, 2015 was \$100,000. Subsequent to year end, the maturity date on the line of credit was extended to June 30, 2016.

NOTE 3 - LONG-TERM DEBT

Long-term debt is as follows:

	2015	2014
Note payable to a bank, in monthly payments of \$540, including interest at 6% through April 2016. Secured by assets of the Organization. Subsequent to year end, the note was paid in full.	\$ 2,135	\$ 8,282
Note payable to the Nonprofits Assistance Fund with monthly payments of \$5,000 including interest at 7% through February 2015, at which time the remaining principal balance is due in full. Secured by assets of the Organization.	-	185,049
Total	2,135	193,331
Less: Amount Due Within One Year	2,135	191,202
Long-Term Debt	\$ -	\$ 2,129

Principal payments required during the next year are: 2016 - \$2,135. Cash paid for interest expense was \$6,255 for 2015 and \$8,937 for 2014.

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2015 and 2014 consist of the following:

	2015	2014
Purpose Restricted:		
Sustainable Food and Agriculture	\$ -	\$ 137,998
Latina Women Agripreneurs	-	6,192
Time Restricted	175,000	563,250
Total Temporarily Restricted	\$ 175,000	\$ 707,440

Temporarily restricted net assets released from restriction were \$684,240 and \$574,960 in 2015 and 2014. Temporarily restricted net assets were released from restriction due to satisfaction of purpose and time restrictions.

MAIN STREET PROJECT
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - LEASE COMMITMENTS

The Organization leases agricultural land under an agreement that expires in December 2021. The agreement requires monthly payments of \$1,000.

The Organization also leases office space under an agreement that expires in June 2016. The agreement requires monthly payments of \$500.

Rent expense and future minimum rental commitments for this lease is as follows

	<u>Office Space</u>	<u>Agricultural Land</u>	<u>Total</u>
Expense:			
2015	\$ 14,400	\$ 12,500	\$ 26,900
2014	14,000	12,500	26,500
Commitments:			
2016	\$ 3,000	\$ 12,500	\$ 15,500
2017	-	12,500	12,500
2018	-	12,500	12,500
2019	-	12,500	12,500
2020	-	12,500	12,500
Thereafter	-	11,500	11,500
	<u>\$ 3,000</u>	<u>\$ 74,000</u>	<u>\$ 77,000</u>